Executive Summary

Peralta Community Colleges’ Integrated Financial Plan, 2019-2024, was developed to provide the District and its four colleges with one document, which outlines the processes adopted by the District through shared governance to provide effective budgetary decision-making including all long-range financial commitments. This Plan utilized the most recent actual budget information (FY 2017/18) as the baseline for analysis, and all known funding trends from the State and local sources to project revenues and potential expenditures in order to assist PCCD in developing funding strategies for a five-year time frame.

The newly introduced [Student Centered Funding Formula (SCFF)](http://extranet.cccco.edu/Divisions/FinanceFacilities/StudentCenteredFundingFormula.aspx) by the State is one of the main forces behind the development of this Integrated Financial Plan. In August 2018, the State Chancellor Eloy Ortiz Oakley announced: “…California’s state leaders have truly delivered on a promise to put students first and set an example for the rest of the nation by adopting a new funding formula that incentivizes student success…” SCFF generally uses three allocations:

* Based Allocation[[1]](#footnote-1) – current factor (primarily in-state credit FTES)
* Supplemental Allocation – counts of low-income students, including Pell grant recipients, California College Promise Grant recipients, and AB 540 students, in the prior year
* Student Success Allocation – counts of outcomes related to the [Vision for Success](http://californiacommunitycolleges.cccco.edu/portals/0/reports/vision-for-success.pdf)[[2]](#footnote-2), with “premiums” for outcomes of low-income students

**Student Centered Funding Formula (SCFF)[[3]](#footnote-3)**

|  |  |  |  |
| --- | --- | --- | --- |
| Key Funding Sources | Actual 2018-19 | Projected 2019-20\*\* | Projected 2020-21\*\* |
| Credit FTES\* | $3,727 per FTES | $3,387 per FTES | $3,046 per FTES |
| Supplemental Allocation | $21,545,955 | $22,099,726 | $22,689,837 |
| Student Success Allocation | $11,773,120 | $18,126,869 | $24,796,221 |

The other major force behind the development of this Plan was that the District has been experiencing various financial challenges. The primary challenges include the declining resident FTES, material weakness and significant deficiencies discovered through Independent Audit Findings, outstanding OPEB liabilities, high executive level staff turnover, and districtwide structural deficit. As shown in the table below, without any intervention to take on these challenges, PCCD will experience a budget deficit this year and the next five years to come.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Amended Budget | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year | Fiscal Year |
|  | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 |
| Revenue Total | 153,129,619 | 151,726,101 | 154,687,952 | 155,548,277 | 155,548,277 | 155,548,277 |
| Total Expenditures | 153,551,507 | 152,042,829 | 156,647,312 | 157,495,190 | 157,991,296 | 163,135,130 |
| Forecasted Balance | (421,888) | (316,728) | (1,959,360) | (1,946,913) | (2,443,019) | (7,586,853) |

Facing both opportunities and crisis, the District Office, together with the four colleges, has been and will continue to proactively develop and implement action plans to reverse this financial downward spiral. Several aspects of this Plan have already been implemented in the 2018/19 academic year resulting in increased enrollment: online enrollment (in percentage) from 19% in 2011/12 to 30% in 2016/17, and dual enrollment (in number) from 250 in Fall 2015 to 1,709 in Fall 2018. Meanwhile, the number of Career Development and College Preparation (CDCP) certificate has grown from 0 in 2014 to 11 in the fall of 2018, with an additional 18 CDCP certificates in the approval process locally and at the State.

The ultimate goal of this districtwide Integrated Financial Plan is three-fold:

First, increasing revenue – PCCD plans to increase its revenue from the State through:

* establishing realistic FTES targets,
* updating, upgrading, and implementing Enrollment Management Plans at both the district and the college levels, and
* establishing and implementing a Student Success Infrastructure Plan in order to earn the highest possible amount of revenues through the new SCFF.

Second, reducing unnecessary operational expenditures – with the goal to trim down the expenditures, the District has:

* just developed a new Board Policy to increase the reserve ratio from the previous 5% to 10%,
* established strategies to improve the management of its OPEB debt, and
* established guidelines to reduce operational overspending and to eliminate the structural deficit.

Third, applying sound financial management and administration - the District will

* continue to practice effective oversight of its finances, and improve its internal control system by adopting a restructuring plan to improve efficiencies and accountability at the District Office as well as at the four colleges,
* address all audit findings, and
* develop a plan to retain executive level administrators so that they may exercise their leaderships with little disruptions.

Based upon this Integrated Financial Plan that contains proactive actions designed to meet financial challenges, PCCD will facilitate its decision-making regarding how it could further accomplish its Mission through personnel management, budgeting obligated expenses, and maintaining positive cash flow, in order to accomplish its Efficacy for Student Success.

1. The noncredit FTES would be funded at current rates, while all rates are calculated to provide a three-year transition. [↑](#footnote-ref-1)
2. Major College–level Success Accountability Indicators include: increased degree/certification completion, increased number of transfers, shortened student time to completion, increased CTE student job placement, and reduced equity gap. [↑](#footnote-ref-2)
3. \*These totals will be adjusted by the changes in the cost-of-living in those years. The amounts will be calculated based on the numbers of colleges and comprehensive centers consistent with the current formula.

   \*\* Revenue Forecast. [↑](#footnote-ref-3)